

Message Text

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TAGS: BTRA, EMIN, EINV, CG

SUBJ: REQUEST FOR USG ASSISTANCE TO RETAIN RIGHTS
TO COLUMBIUM DEPOSITS IN ZAIRE

REF: STATE 263220

1. SUMMARY: METTALURG INC. REPRESENTATIVE REQUESTED EMBASSY ASSISTANCE IN RETAINING EXPLORATION RIGHTS TO EASTERN ZAIRE COLUMBIUM DEPOSITS FROM BEING TAKEN OVER BY W. GERMAN DEVELOPMENT ORGANIZATION. SINCE METALLURG OPERATED UNDER COVER OF BELGIAN FIRM, THEIR CLAIM NOT CLEARLY SUPPORTABLE AND SINCE METALLURG APPEARS BASICALLY EUROPEAN, DESPITE THE US HEADQUARTERS, USG SUPPORT OF THEIR POSITION MAY WELL RAISE CREDIBILITY PROBLEM WITH GOZ. RESOLUTION OF DISPUTE WITHOUT USG ASSISTANCE POSSIBLE. METALLURG WILL ADVISE DEPT. DIRECTLY WHAT IF ANY ACTION THEY DESIRE OF THE USG.

2. METALLURG REPRESENTATIVE BARON PROSPER DE HAULLEVILLE, SUCCESSIVELY CALLED ON THE COMMERCIAL ATTACHE AND THE AMBASSADOR (WHO WAS ASKED TO RECEIVE THE BARON BY THE BELGIAN AMBASSADOR) DEC. 10 IN ORDER TO ENLIST EMBASSY'S ASSISTANCE IN RETAINING EXPLORATION RIGHTS TO DEPOSITS OF COLUMBIUM IN EASTERN ZAIRE.
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ZAIRE, PRESENTLY HELD BY ITS BELGIAN ASSOCIATE

"SOCIETE MINIERES DE NYAMUKUBI (SOMIKUBI", AVENUE D'ASTRONOMIE, 23 BRUSSELS. WE DISCUSSED AND ASKED QUESTIONS, PROMISING ONLY TO REFLECT ON SITUATION.

3. ACCORDING TO DE HAULLEVILLE, ZAIRIAN AUTHORITIES HAVE INFORMED THE W. GERMAN ORGANIZATION ASSINEZ (ASSOCIATION INTERNATIONALE POUR LE DEVELOPPEMENT DU NORD EST ZAIRE) THAT THE SEPT. 1975 SOMIKUBI'S EXPLORATION RIGHTS TO THE COLUMBIUM (NIOBIUM) DEPOSITS IN THE REGIONS OF LUESHA AND BINGO IN EASTERN ZAIRE WILL BE TERMINATED AND TURNED OVER TO ASSINEZ. SUPPOSEDLY UNION CARBIDE HELD THE EXPLORATION RIGHTS TO THESE VERY RICH DEPOSITS (UP TO 16 PERCENT) IN THE LATE FORTIES, BUT BECAUSE OF OVERWHELMING TECHNICAL DIFFICULTIES IN REFINING THE ORE, THE PROJECT WAS DROPPED. NOW METALLURG ANTICIPATES A TECHNOLOGICAL BREAKTHROUGH IN THE PROCESSING OF THESE ORES AND HAS BEEN WORKING ASSIDUOUSLY UNDER THE COVER OF THE BELGIAN FIRM FOR OVER A YEAR ASSAYING THESE DEPOSITS IN PREPARATION FOR ESTABLISHING AN EXPLOITATION CONCESSION WITH IT.

4. HAULLEVILLE EXPLAINS METALLURG'S SECRECY STEMMED FROM FACT THAT METALLURG IS BY FAR THE WORLD'S LARGEST CONSUMER OF COLUMBIUM WHILE THE ARAXHA MINING COMPANY IN BRAZIL HAS VIRTUALLY A MONOPOLY ON THE PRODUCTION OF THE MATERIAL. METALLURG'S MANAGEMENT REASONED THAT IF THEIR INTEREST IN THE ZAIRIAN DEPOSITS BECAME KNOWN ARAXHA WOULD RAISE THEIR PRICES TO INTOLERABLE LIMITS. AT ANY RATE THE STRATEGY MISFIRED SINCE ARAXHA FOUND OUT ABOUT IT AND IS NOW, IN ASSOCIATION WITH KLUCKNER OF W. GERMANY, TRYING EITHER TO GET HOLD OF THESE DEPOSITS OR TO BLOCK METALLURG'S ACCESS TO THEM. SINCE KLUCKNER IS ALSO CLOSELY ASSOCIATED WITH ASSINEZ, DE HAULLEVILLE REASONS THAT ASSINEZ IS ONLY FRONTING FOR ARAXHA. MEANWHILE METALLURG HAS AN UPHILL TASK TRYING TO CONVINCE ZAIRIAN AUTHORITIES OF THEIR BONA FIDES. SOMIKUBI'S EXPLORATION RIGHTS UP TO THE PRESENT TIME HAD BEEN ROUTINELY RENEWED YEAR AFTER YEAR AND EVEN NOW METALLURG IS NOT READY TO SIGN AN LIMITED OFFICIAL USE

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EXPLOITATION AGREEMENT UNTIL THEY ARE CERTAIN THAT THEIR NEW PROCESS FOR REFINING THE ORE IS ECONOMICALLY FEASIBLE. HOWEVER, AS PROOF OF THEIR INTERESTS, METALLURG IS PRESENTING A LETTER OF UNDERSTANDING DATED 25 SEPT. 1973 FROM SOMIKUBI TO METALLURG'S LONDIK SUBSIDIARY WHICH STATES METALLURG WILL HAVE THE RIGHT TO HOLD UP TO 90 PERCENT OF THE SHARES OF AN EXPLOITATION COMPANY. THEY ALSO PRESENT AN EXPEN-

DITURE SHEET SHOWING METALLURG HAS SPENT, TO DATE,
\$32,537 ON THE PROJECT.

5. THERE IS A PROBLEM HERE IN DETERMINING JUST WHAT
IS THE US INTEREST IN THIS CASE AND TO WHAT EXTENT
WE WOULD PURSUE IT WITHOUT DAMAGING OUR CREDIBILITY.
METALLURG IS A NEW YORK-BASED HOLDING COMPANY, APPAR-
ENTLY FAMILY-OWNED BY U.S. CITIZEN, FOR AN INTERNA-
TIONAL ENTERPRISE THAT HAS ITS ROOTS IN EUROPE.
COMPANY NOW HAS A PLANT IN NEW JERSEY, BUT ITS
OPERATIONS APPEAR TO BE LARGELY IN EUROPE - U.K.,
BELGIUM, AND W. GERMANY IT ORIGINATED IN PRE-WAR
GERMANY AS THE "GESELLSCHAFT FUR ELEKTRO-METALLURGIE".
ACCORDING TO DE HAULLEVILLE, WHO WAS AN OFFICIAL OF
THE FIRM AT THE TIME, THE NATIONAL SOCIALISTS
"ARYANIZED" THE GERMAN PARENT FIRM PRIOR TO WORLD WAR
II, BUT SOME OF THE
OFFICIATE, INCLUDING THE PRESENT
OWNER, MANAGED TO CARRY ON IN SWEDEN AND IN ENGLAND
DURING THE WAR. ALTHOUGH THE GERMAN PROPERTIES WERE
RESTORED AFTER THE WAR, THE OWNERS DECIDED, IN VIEW
OF WHAT HAD HAPPENED BEFORE, IT WOULD BE PRUDENT TO
ESTABLISH A BASE IN THE US. SUBSEQUENTLY, AS DE
HAULLEVILLE PUT IT, "THE DAUGHTER BECAME THE MOTHER".
CLEARLY DE HAULLEVILLE IS ATTEMPTING TO EXPLOIT
FIRM'S US CONNECTIONS OR BASE.

6. HOWEVER, METALLURG DOES NOT MAKE IT EASIER FOR
THE EMBASSY TO PUSH ITS CASE WHEN IT SENDS A BELGIAN
CITIZEN, WHO UNTIL RECENTLY WAS A LIFE-LONG OFFICIAL
OF PETROFINA, TO KINSHASA TO REPESENT IT.

7. DE HAULLEVILLE'S KINSHASA CAMPAIGN MAY ALREADY
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BE HAVING THE DESIRED EFFECT WITHOUT GETTING THE
USG ACTIVELY INVOLVED IN THE MATTER. DE HAULLE-
VILLE HAD EARLIER STATED THAT METALLURG WOULD EVEN
CONSIDER COOPERATING WITH ASSINEZ ON THE PROJECT AS
LONG AS THEIR INTERESTS WERE PROTECTED. JUST PRIOR
TO HIS DEPARTURE HE CALLED THE EMBASSY IN AN
OBVIOUSLY OPTIMISTIC MOOD TO ADVISE THAT HE HAD MET
WITH ASSINEZ OFFICIALS AS WELL AS WITH THE W.GERMAN
AMBASSADOR AT THEIR REQUEST AND THAT THE FRG AMBAS-
SADOR TOLD HIM HE THOUGHT THAT AN EQUITABLE AND
AIMABLE SOLUTION COULD BE WORKED OUT ON THIS MATTER.

8. DE HAULLEVILLE HAS
BEEN ASKED TO SUBMIT A MEMO
TO THE EMBASSY ON WHAT ACTION HE WANTED OF THE USG

IH THIS CASE. HE ADVISED, HOWEVER, THAT HE WILL
SUBMIT TO THE DEPARTMENT ON HIS RETURN TO NEW
YORK.

9. WASHINGTON VIEWS ARE REQUESTED.
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